

VI. INCOME TAXES

Corporation Income Tax

General Liability

Every corporation organized under the laws of Virginia, and every foreign corporation registered with the State Corporation Commission for the privilege of doing business in Virginia or receiving income from Virginia sources, must file a corporation income tax return except: public service corporations (other than electric and gas suppliers, railroads and telecommunications companies); banks subject to the bank franchise tax; credit unions; insurance companies; and corporations not conducted for profit which are exempt from United States income tax, with the exception that these are taxable on their unrelated business taxable income. In addition, all pass-through entities are required to submit an annual informational return (see Pass-Through Entities).

Income of a multistate corporation is determined by a double-weighted sales factor in which the sales factor is weighted 50% and the payroll and property factors are 25% each. The double-weighted sales factor is effective for taxable years beginning on or after January 1, 2000. Special formulas are provided for motor carriers, financial corporations, railway companies, and construction corporations using the completed contract method of accounting.

Filing Procedure

Registration: Every corporation that is required to file an income tax return must register by filing a Business Registration Application, Form R-1, with the Virginia Department of Taxation. Registration can be completed online using VATAX Online for Businesses at www.tax.virginia.gov/iReg. The form can also be downloaded and mailed to P.O. Box 1114, Richmond, VA 23218-1114. No application fee is required.

Filing of Returns: A corporation income tax return must be filed and the tax paid with the Virginia Department of Taxation on or before the 15th day of the fourth month following the close of the corporation's taxable year. Effective for taxable years beginning on and after January 1, 2003, the income tax return filing date for tax exempt organizations with unrelated business taxable income is the 15th day of the sixth month following the close of the taxable year. (The tax year is the same as that used for federal income tax purposes.) Corporate income tax can be filed and paid online using VATAX Online for Businesses at www.tax.virginia.gov/iFile.

Extensions: A six-month extension may be obtained by filing an application and paying a tentative tax. A copy of the federal extension must be attached to the Virginia extension. Corporate extensions can be filed online using VATAX Online for Businesses at www.tax.virginia.gov/iFile.

Estimated Tax: A corporation subject to Virginia income tax is required by law to make a declaration of estimated income tax if its Virginia income tax for the taxable year can reasonably be expected to exceed \$1,000. A corporation whose accounting period is a calendar year is required to make a declaration of estimated tax and pay one-fourth of such estimated tax directly to the Virginia Department of Taxation by April 15 of the taxable year. Subsequent installments are due June 15, September 15 and December 15. Corporate estimated payments can be paid using VATAX Online for Businesses at www.tax.virginia.gov/iFile.

A corporation whose accounting period is a fiscal year is required to make a declaration of estimated income tax and pay one-fourth of the tax directly to the Virginia Department of Taxation by the 15th day of the fourth month following the beginning of its fiscal year. Subsequent installments are due

the 15th day of the sixth month, the 15th day of the ninth month, and the 15th day of the 12th month following the beginning of the corporation's fiscal year.

Electronic Funds Transfer (EFT)

Electronic Funds Transfer (EFT) involves the transfer of funds from your bank account to the State's bank account. This program is currently available for the following taxes: Sales and Use Tax, Out-of-State Dealers, Employer Withholding Tax, and Corporation Income Tax.

If the monthly tax liability for any one of these taxes exceeds \$20,000, the company is required by law to pay by EFT for consolidated sale tax accounts. EFT is required when the total liability of all subsidiaries exceeds \$20,000 as reported by the parent company.

The \$20,000 average monthly tax liability applies to business taxpayers paying corporate income tax, Retail Sales and Use Tax, and Withholding Tax. The \$20,000 average monthly tax liability applies separately to each tax. Withholding accounts are evaluated every November to identify taxpayers who must pay using EFT. Mandatory EFT filers are notified by TAX that they must begin making EFT payments. Taxpayers who are required to pay by EFT but continue to pay their tax by check are subject to penalties.

The Department of Taxation also encourages other businesses that do not have an average monthly liability of \$20,000 to voluntarily transmit their tax return payments by EFT. Payments are submitted directly to the Tax Department's bank from the business bank account. EFT not only saves check writing and mailing costs, but also ensures that the payment is made without the worry of a check being lost in the mail.

For more information on EFT or an EFT Guide, visit our website at www.tax.virginia.gov, contact Customer Services by phone at 804-367-8037, or write to the Virginia Department of Taxation, Customer Service Section, P.O. Box 1115, Richmond, VA 23218-1115.

Tax Rate

The tax rate is 6 percent of the corporation's Virginia taxable income.

Penalties and Interest

The civil penalty for failing to file a return by the due date is 6 percent of the tax due for each month or part of a month that the return is late. The minimum penalty for failure to file timely is \$100. In no case will the penalty for failure to file timely be less than \$100, and the minimum \$100 penalty applies whether or not tax is due or the period covered by the return. The civil penalty for late payment of the tax is also 6 percent of the tax due for each month or part of a month that the payment is late, up to a maximum of 30 percent. For any month the late filing penalty is imposed, the late payment penalty will not be applied. The total of both penalties cannot be more than 30 percent of the tax due. Civil and criminal penalties may be imposed for filing a fraudulent return. Interest on the unpaid balance of any tax and penalty is charged at the underpayment rate established by Sec. 6621 of the Internal Revenue Code, plus 2%, from the due date until paid.

In cases where the tax assessed exceeds \$100,000 and the assessment remains unpaid for longer than 30 days, interest at the rate mentioned above, plus an additional 2 percent, will be added to the outstanding balance from the date of assessment through the date of payment.

Disposition

Revenue is deposited to the states general fund.

Register Online - New corporations can register and receive a Virginia tax account number online using VATAX Online for Businesses at www.tax.virginia.gov/iReg

File Online - Corporations can file extensions and estimated payments online using VATAX Online for Businesses at www.tax.virginia.gov/iFile

Download Forms:

R-1	- Business Registration Application
500	- Virginia Corporation Income Tax Return
Schedule 500A	- Multistate Corporation Transacting or Conducting Part of Business Within and Part Without Virginia Allocation and Apportionment of Income
Schedule 500 AB	- Add Back and Exceptions to Add Back of Interest and Intangible Expenses
500ES	- Declaration of Estimated Income Tax for Corporations
500E	- Corporate Extension Payment Voucher and Tentative Tax Return
500 EC	- Electric Suppliers Minimum Tax and Credit Schedule
500V	- Corporation Income Tax Payment Voucher (for use with Form 500)
500C	- Underpayment of Virginia Estimated Tax by Corporations
500CR	- Credit Computation Schedule
500-NOLD	- Corporation Application for Refund - Carryback of Net Operating Loss
500T	- Telecommunications Companies Minimum Tax and Credit Schedule
500X	- Amended Virginia Corporation Income Tax Return
301	- Enterprise Zone Credit
302	- Computation of ACRS Depreciation Subtractions
304	- Major Business Facility Job Tax Credit
305	- Clean Fuel Jobs Creation Tax Credit
306	- Coalfield Employment Enhancement Tax Credit
EFT Guide	- Electronic Funds Transfer Guide - Guideline, Instructions, Authorization Agreement, and Change Notification Form

For Assistance Contact:

Virginia Department of Taxation
P.O. Box 1115
Richmond, VA 23218-1115
804-367-8037

For Forms:

Download at: www.tax.virginia.gov
Fax: 804-236-2779
Telephone: 804-236-2760, 804-236-2761, or 804-236-2762
Virginia Department of Taxation
Forms Request Unit
P.O. Box 1317
Richmond, VA 23218-1317

For Information on Electronic Funds Transfer (EFT) Payments Contact:

Electronic Payment Options

www.tax.virginia.gov

Fax: 804-367-2603

Virginia Department of Taxation

EFT Registration

P.O. Box 1115

Richmond, VA 23218-1115

Employer Income Tax Withholding

General Liability

An employer who pays wages to one or more employees for services performed in Virginia is required to deduct and withhold state income tax from those wages. Virginia law substantially conforms to the federal definition of “wages.” Therefore, Virginia withholding is generally required on any payment for which federal withholding is required, except amounts paid pursuant to individual retirement accounts and simplified employee pension plans as defined in Sections 7701(a) (37) and 408(c) of the Internal Revenue Code.

Filing Procedure

Registration:

Any employer required by law to withhold Virginia income tax from wages paid to one or more employees must register by filing a Business Registration Application, Form R-1, with the Virginia Department of Taxation. Businesses can register online at www.tax.virginia.gov/iReg, or download the form and mail it to the Virginia Department of Taxation, P.O. Box 1114, Richmond, VA 23218-1114. No application fee is required.

For more information on online registration and filing, visit our website at www.tax.virginia.gov/iReg, contact Customer Services by phone at 804-367-8037 or write to the Virginia Department of Taxation, Customer Service Section, P.O. Box 1115, Richmond, VA 23218-1115.

How Often To File:

An employer's filing status is determined by the average amount of income tax withheld each month. When registering for an account number, employers are asked to estimate this figure so the Department can assign a filing status. Based on that information, we assign a quarterly, monthly, semi-weekly, or seasonal filing status. In addition, all employers must file an annual summary. Employers are not responsible for monitoring their monthly tax liabilities to see if a status change is needed. The Department reviews each account annually and makes any necessary changes.

Quarterly Filing:

If an employer's average monthly withholding tax liability is less than \$100, the account will be assigned a quarterly filing status. Quarterly returns must be filed on Form VA-5 with full payment for the tax due, or EFT payments for the tax due must be made, on the last day of the month following the close of the quarter. A return must be filed for each quarter even if there is no tax due. EFT filers may submit a zero return if there is no tax due via EFT.

Monthly Filing:

If the average monthly withholding tax liability is at least \$100, but less than \$1,000, a monthly filing status will be assigned. For months that close a calendar quarter, file Form VA-5 with payment, or pay by EFT by the last day of the following month. For months that do not close a calendar quarter, file Form VA-5 or make an EFT payment by the 20th day of the following month. A return must be filed for each month, even if there is no tax due. EFT filers may submit a zero return if there is no tax due via EFT.

Semi-Weekly Filing:

If the average monthly liability is \$1,000 or more, a semi-weekly filing status will be assigned. If the Virginia income tax withheld as of the close of any federal period is more than \$500, a payment must be made within three banking days. Federal cut-off days for withholding deposits are generally

Tuesday and Friday of each week. Semi-weekly payments are usually made on Form VA-15, or by EFT. At the end of each calendar quarter, reconciliation must be filed on Form VA-16, along with payment of any remaining tax due for the quarter.

Seasonal Filing:

Seasonal filers, those employers who have employees only during certain months of the year, are required to file returns for the months designated at the time they register for an account, even if there is no tax due. Seasonal returns are filed on Form VA-5, and are due at the normal monthly filing dates.

All Filers - Form VA-6, Employer's Annual or Final Summary of Virginia Income Tax Withheld:

On or before February 28 each year, Form VA-6 must be filed with copies of each W-2, 1099-R, or other income statements reflecting Virginia income tax withheld. Beginning, January 1, 2002, employers who furnish 250 or more written statements to employees are required to file these statements on diskette or magnetic tape. See the Withholding Instructions booklet for detailed information.

Electronic Funds Transfer (EFT)

Electronic Funds Transfer (EFT) involves the transfer of funds from your bank account to the State's bank account. Business taxpayers whose average monthly liability exceeds \$20,000 must pay their state taxes by EFT. The \$20,000 average monthly tax liability applies to business taxpayers paying corporate income tax, retail sales and use tax, and withholding tax if you are filing individual income withholding tax on behalf of 100 or more employees. The \$20,000 average monthly tax liability applies separately to each tax.

Withholding accounts are evaluated every November to identify taxpayers who must pay withholding tax by EFT. Mandatory EFT filers are notified by TAX that they must begin making EFT payments. Taxpayers who are required to pay by EFT but continue to pay their tax by check are subject to penalties

For more information on EFT, or an EFT Guide, visit our website at www.tax.virginia.gov or contact Customer Services by phone at 804-367-8037, or write to the Virginia Department of Taxation, Customer Service Section, P.O. Box 1115, Richmond, VA 23218-1115

The Department of Taxation also encourages other businesses that do not have an average monthly liability of \$20,000 to voluntarily transmit their tax return payments by EFT. Payments are submitted directly to the Tax Department's bank from your business bank account. EFT not only saves check writing and mailing costs, but also ensures that your payment is made without the worry of a check being lost in the mail. EFT eliminates Form VA5 – VA15.

Payroll Service Providers/Bulk Filers

For returns filed on or after July 1, 2004, all persons who act on behalf of 100 or more taxpayers to remit individual income tax withholding payments must remit all such withholding payments by ACH Credit transactions.

Penalty and Interest

A return or EFT payment record must be submitted for each required period, even if there is no tax due. The penalty for failure to deduct and pay the proper amount of tax withheld to the Virginia

Department of Taxation is 6 percent of the amount that should have been withheld for each month or fraction of a month the return or payment is delinquent. The minimum penalty is \$100 and the maximum penalty is 30 percent of the tax due. Interest at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, will be added to the tax.

Tax Rates

An employer receives withholding tax tables when registered or can download at www.tax.virginia.gov.

Disposition

Revenue is deposited to the state's general fund.

Register Online - New businesses can register online for employer withholding tax using VATAX Online for Businesses at www.tax.virginia.gov/iReg

File Online - Businesses can file and pay employers withholding taxes tax using VATAX Online for Businesses at www.tax.virginia.gov/iFile

Download Forms Online:

- R-1 - Business Registration Application
- VA-4 - Employee Withholding Exemption Certificate
- VA-5 - Employer's Return of Income Tax Withheld (Monthly or Quarterly)
- VA-6 - Employer's Annual or Final Summary of Virginia Income Tax Withheld
- VA-15 - Employer's Voucher for Payment of Virginia Income Tax Withheld (Semi-Weekly)
- VA-16 - Employer's Payment or Quarterly Reconciliation of Income Tax Withheld
- EFT Guide - Electronic Funds Transfer Guide - Guideline, Instructions, Authorization Agreement and Change Notification Form
- Withholding - Sent upon registration Instructions or download them at www.tax.virginia.gov.
- Federal Form - Furnished by the IRS - W-2, Wage & Tax Statement

For Assistance Contact:

www.tax.virginia.gov
VATAX Online for Businesses.
Virginia Department of Taxation
P.O. Box 1115
Richmond, VA 23218-1115
804-367-8037

For Forms:

Download at: www.tax.virginia.gov

Fax: 804-236-2779

Telephone: 804-236-2760, 804-236-2761, or 804-236-2762

Virginia Department of Taxation

Forms Request Unit

P.O. Box 1317

Richmond, VA 23218-1317

For Information on Electronic Funds Transfer (EFT) Payments:

Online at: www.tax.virginia.gov

Fax: 804-367-2603

Virginia Department of Taxation

EFT Registration

P.O. Box 1115

Richmond, VA 23218-1115

Fiduciary Income Tax

General Liability

The fiduciary of a resident estate or trust must file a return: (1) if the estate or trust is required to file a federal fiduciary income tax return or (2) if it had any Virginia taxable income for the taxable year. "Resident estate or trust" means the estate of a Virginia resident decedent, a trust created under the will of a Virginia resident, or an estate or trust administered by a Virginia resident or under the supervision of a Virginia court. The fiduciary of a nonresident estate or trust receiving income from Virginia sources must also file a return.

Filing Procedure

A fiduciary return must be filed after the close of a calendar year, but not later than May 1, with the Commissioner of the Revenue, Director of Finance, or Director of Tax Administration for the Virginia city or county where the fiduciary qualified. If there has been no qualification in this state, the return should be filed with the official in the city or county where the fiduciary resides, does business or has an office, or where one or more of the beneficiaries reside.

Fiduciaries filing on a basis other than a calendar year must file their returns by the 15th day of the fourth month after the close of their taxable year. A copy of the federal fiduciary income tax return, as filed with the Internal Revenue Service, must be attached to the Virginia return.

Tax Rate Schedule			
Taxable Income		Rate	
Not over \$3,000, your tax is 2% of your Virginia taxable income.			
over ---	but not over ---	your tax is ---	of excess over ---
\$ 3,000	\$ 5,000	\$ 60 + 3.00%	\$ 3,000
\$ 5,000	\$17,000	\$120 + 5.00%	\$ 5,000
\$17,000		\$720 + 5.75%	\$17,000

Penalties and Interest

The civil penalty for failing to file a return by the due date is 6 percent of the tax due for each month or part of a month that the return is late. The penalty cannot exceed 30 percent of the tax due. The civil penalty for failing to pay the tax due by the due date is also 6 percent of the tax due for each month or part of a month that the payment is late. For any month that the late filing penalty is imposed, the late payment penalty will not apply. The total of both civil penalties above, for failing to file a return and failing to pay by the due date, cannot be more than 30 percent of the tax due. Interest will accrue on the tax due at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, from the due date through the date of payment.

Criminal Penalties

The criminal penalty for willfully failing or refusing to file a declaration as required by law, and for making any false statement in a declaration on an individual, fiduciary, or corporate income tax return with the intent to defraud the Commonwealth or evade the payment of taxes is a Class 6 felony.

Estimated Income Tax

An estate or trust must make installment payments of estimated income tax if its Virginia income tax can reasonably be expected to be \$150 or more for the taxable year. In the case of an estate only, payment of estimated income tax is not required unless the last day of the taxable year is more than two years after the date of the decedent's death.

Addition to Tax

An additional charge at the prevailing underpayment interest rate is imposed by law for underpayment of estimated tax, except in certain situations. For additional information, see "Addition to Tax" in the Individual Estimated Income Tax Section VI.

Disposition

Revenue is deposited to the state's general fund.

Download Forms Online:

- 770 - Virginia Fiduciary Income Tax Return
- 760E - Virginia Tentative Tax Return and Application for Extension of Time to File Individual or Fiduciary Income Tax Return
- 760ES - Estimated Individual Income Tax Forms and Instructions for Individuals, Estates and Trusts
- 760C - Underpayment of Estimated Tax for Individuals, Estates and Trusts

For Assistance Contact:

Your local Commissioner of the Revenue, Director of Finance, or Director of Tax Administration

Information is also available from:

Secure messaging at www.tax.virginia.gov

Virginia Department of Taxation

P.O. Box 1115

Richmond, VA 23218-1115

804-367-8031

For Forms:

Download at: www.tax.virginia.gov

Fax: 804-236-2779

Telephone: 804-236-2760, 804-236-2761, or 804-236-2762

Virginia Department of Taxation

Forms Request Unit

P.O. Box 1317

Richmond, VA 23218-1317

Individual Estimated Income Tax

General Liability

Every resident and nonresident individual must pay estimated income tax if:

1. all of the income is from wages on which Virginia income tax is not withheld and estimated tax liability exceeds tax credits by \$150 or more; or
2. all of the income is from sources other than wages and estimated tax liability exceeds tax credits by \$150 or more; or
3. a part of the income is from wages on which Virginia income tax is not withheld and part from other sources and estimated tax liability exceeds tax credits by \$150 or more; or
4. A part of the income is from wages on which Virginia income tax is withheld and part from other sources (including wages on which Virginia income tax is not withheld) and estimated tax liability exceeds tax credits by \$150 or more.

When to File and Pay Estimated Tax

Generally, an individual must file the first voucher by May 1 of the taxable year with his/or her local Commissioner of the Revenue, Director of Finance, Director of Tax Administration or with the Virginia Department of Taxation. The taxpayer may pay all of the estimated tax with the first voucher or pay in four equal amounts on or before May 1, June 15, and September 15 of the taxable year, and January 15 of the next year. In some cases where an individual was not required to file a voucher on May 1, a change in income or exemptions may require that payments be made at a later date.

The filing dates are as follows:

- June 15 for changes between April 15 and June 2
(Estimated tax payments are due in three equal installments.)
- September 15 for changes between June 2 and September 2
(Estimated tax payments are due in two equal installments.)
- January 15 of the next year for changes between September 2 and December 31. (Estimated tax is due in full.)

If the voucher is filed after the time prescribed, all late installments of estimated tax must be paid with the voucher. The remaining installments must be paid at the times and in the amounts that would have been payable if the voucher had been filed when due.

Note: Farmers, Fisherman, and Merchant Seamen

Farmers, fishermen, and merchant seamen with two-thirds of their estimated Virginia gross income from self-employed farming, fishing, or working as a merchant seaman, have special requirements which allow them to file one payment voucher by January 15th of the next year.

Tax Rate Schedule

Taxable Income

Rate

Not over \$3,000 the tax is 2% of the Virginia taxable income.

over ---	but not over ---	our tax is ---	of excess over ---
\$ 3,000	\$ 5,000	\$ 60 + 3.00%	\$ 3,000
\$ 5,000	\$17,000	\$120 + 5.00%	\$ 5,000
\$17,000		\$720 + 5.75%	\$17,000

Addition to Tax

An addition to the tax at the prevailing underpayment interest rate is imposed by law for underpayment of installments of estimated tax except in certain situations.

Alternative computations may be used for determining the amount of underpayment. The addition to tax does not apply if each required installment is paid on time and meets one of the following exceptions:

1. is at least 90 percent of the amount due on the basis of annualized income (66.66 percent if you are a farmer, fisherman or merchant seaman effective for taxable years beginning on and after January 1, 2001); or
2. is at least 90 percent of the amount due on the basis of the actual taxable income; or
3. is based on a tax computed by using your income for the preceding taxable year and the current year's tax rates and exemptions; or is equal to or exceeds the tax liability shown on your prior year's return and that return was for a full year and reflected a tax liability; or
4. the total underpayment for all quarters is \$150 or less for the taxable year.

Criminal Penalties

The criminal penalty for willfully failing or refusing to file a declaration as required by law, and for making any false statement in a declaration on an individual, fiduciary, or corporate income tax return with the intent to defraud the Commonwealth or evade the payment of taxes is a Class 6 felony.

Disposition

Revenue is deposited to the state's general fund.

File Online - Individuals can file and pay quarterly estimated taxes online at www.tax.virginia.gov/iFile using VATAX Online for Individuals.

Download Forms Online:

- 760ES - Estimated Income Tax Forms and Instructions for Individuals, Estates and Trusts
- 760C - Underpayment of Estimated Tax by Individuals, Estates and Trusts
- 760F - Underpayment of Virginia Estimated Tax by Farmers, Fishermen and Merchant Seamen

For Assistance Contact:

Your local Commissioner of the Revenue, Director of Finance, or Director of Tax Administration.

Information is also available from:

Secure messaging at www.tax.virginia.gov

Virginia Department of Taxation

P.O. Box 1115

Richmond, VA 23218-1115

804-367-8031

For Forms:

Download at: www.tax.virginia.gov

Fax: 804- 236-2779

Telephone: 804-236-2760, 804-236-276, or 804-236-2762

Virginia Department of Taxation

Forms Request Unit

P.O. Box 1317

Richmond, VA 23218-1317

Individual Income Tax

General Liability

The Virginia individual income tax applies to the entire income of Virginia residents and to income from Virginia sources received by nonresident individuals. Generally, all residents and nonresidents with Virginia taxable income are required to file a return (see section on "Filing Exception"). The computation of Virginia taxable income begins with federal adjusted gross income. Virginia offers Federal/State electronic filing to its customers for refund returns, tax due returns, part-year returns, and non-resident returns.

Nonresident: Every nonresident who received taxable income from Virginia sources must file a Virginia Nonresident Income Tax return, Form 763.

Part-year Resident: Any individual who moved into or out of Virginia during the taxable year and who received taxable income from Virginia sources must file a Virginia Part-Year Resident Individual Income Tax return, Form 760PY. If all of the individual's income is from Virginia sources, he or she may choose to file Form 760 as a full-year resident.

Filing Exception

If you do not have Virginia income tax withheld and you have not paid any estimated tax, then you are not required to file a Virginia income tax return if your Virginia Adjusted Gross Income was less than \$5,000 and you are single. This amount is \$8,000 for the combined Virginia Adjusted Gross Income of married couples, and \$4,000 if married filing separately. For taxable year 2005 returns (which will be filed in 2006), you are not required to file a Virginia income tax return if your Virginia Adjusted Gross Income is less than \$7,000 and you are single. This amount will be \$14,000 for the combined Virginia Adjusted Gross Income of married couples, and \$7,000 if married filing separately.

Filing Procedure

If you are a calendar year filer, file by May 1, with the Commissioner of the Revenue, Director of Finance, or Director of Tax Administration for your city or county of residence, or directly with the Virginia Department of Taxation using online filing at www.tax.virginia.gov, or by downloading forms on the website at www.tax.virginia.gov. Individuals filing on a basis other than a calendar year must file their returns by the 15th day of the fourth month after the close of their taxable year. The full amount of income tax due on the return should be paid when the return is filed.

Tax Rate Schedule

Taxable Income		Rate	
Not over 3,000, your tax is 2% of your Virginia taxable income.			
over ---	but not over ---	your tax is ---	of excess over ---
\$ 3,000	\$ 5,000	\$ 60 + 3.00%	\$ 3,000
\$ 5,000	\$17,000	\$120 + 5.00%	\$ 5,000
\$17,000		\$720 + 5.75%	\$17,000

VATAX Online for Individuals

VATAX Online for Individuals offers most Virginians the ability to perform various tax filing and payment functions directly with the Department of Taxation. There is no software to download or purchase and our online services are available seven days a week, twenty-four hours a day. Customers can save their work and complete it later. In addition, they are free, easy, fast, and convenient. VATAX Online is available to anyone who has filed Virginia income tax returns in the Commonwealth of Virginia for the 1999 or later tax years.

iFile for Individuals - Online at www.tax.virginia.gov

Taxpayers can:

- 1) file their income tax returns
- 2) direct deposit their refunds
- 3) electronically transfer (withdraw) payment of tax due from their checking or savings account on a specified payment date
- 4) file extensions
- 5) file and pay quarterly estimated taxes
- 6) check status of refunds
- 7) pay bills online
- 8) correspond securely and confidentially with the Tax Department through our secure messaging system.

E-file for Individuals - Electronic Filing

Taxpayers can electronically file their return through a tax preparer providing this service, by using a TAX approved tax preparation software package on their personal computer, or by going to a tax software provider's web site. Some, but not all, local tax authorities also offer e-file. Taxpayers should contact their local Commissioner of the Revenue, Director of Tax Administration, or Director of Finance for details.

Penalties and Interest

The civil penalty for failing to file a return by the due date is 6 percent of the tax due for each month or part of a month that the return is late. The penalty cannot be more than 30 percent of the tax due. The civil penalty for failing to pay the tax due by the due date is also 6 percent of the tax due for each month or part of a month that the payment is late. For any month that the late filing penalty is imposed, the late payment penalty will not apply. The total of both civil penalties above, for failing to file a return and failing to pay by the due date, cannot be more than 30 percent of the tax due. The civil penalty for filing an evasive or fraudulent return, or for failing or refusing to file any return with intent to evade the tax, is an additional penalty of 100 percent of the amount of the proper tax.

The criminal penalty for willfully failing or refusing or to file to a return is a Class 1 misdemeanor punishable by confinement in jail for not more than 12 months and a fine of not more than \$2,500, either or both. Effective July 1, 2003, the criminal penalty for making a fraudulent return, or for making a false statement with the intent to defraud the Commonwealth is a Class 6 felony punishable by imprisonment for not less than one year and not more than five years, or in the discretion of the jury or the court trying the case without jury, confinement in jail for not more than 12 months and a fine of not more than \$2,500, either or both.

Interest on the tax due will be added at the underpayment rate established by Section 6621 of the Internal Revenue Code, plus 2 percent, from the original due date of the tax until the date of payment.

Disposition

Revenue is deposited to the state's general fund.

File Online - Individuals can file tax returns, file extensions, pay estimated payments, pay bills, check refund status, and send secure messages using VATAX Online for Individuals at www.tax.virginia.gov

Download Forms Online:

760	- Virginia Individual Resident Income Tax Return
760PY	- Virginia Part -Year Resident Individual Income Tax Return
763	- Virginia Nonresident Income Tax Return
763-S	- Virginia Special Nonresident Claim for Individual Income Tax Withheld
CU-7	- Virginia Consumer's Use Tax Return for Individuals
Schedule ADJ	- Virginia Schedule ADJ
Schedule CR	- Credit Computation Schedule
Schedule NPY	- Schedule of Adjustments for Part-Year-Residents and Nonresidents
760E	- Virginia Tentative Tax Return and Application for Extension of Time to File Individual or Fiduciary Income Tax Return
760ES	- Virginia Estimated Income Payment Vouchers for Individuals, Estates, and Trusts
760C	- Underpayment of Virginia Estimated Tax by Individuals, Estates, and Trusts
760F	- Underpayment of Virginia Estimated Tax by Farmers, Fishermen and Merchant Seaman

For Assistance Contact:

Your local Commissioner of the Revenue, Director of Finance, or Director of Tax Administration.

Information is also available www.tax.virginia.gov

Virginia Department of Taxation

P.O. Box 1115

Richmond, VA 23218-1115

804-367-8031

For Status of Current Year Refunds:

Online at: www.tax.virginia.gov

Telephone: 804-367-2486

For Forms:

Download at: www.tax.virginia.gov

Fax: 804-236-2779

Telephone: 804-236-2760, 804 236-2761, or 804-236-2762

Virginia Department of Taxation

Forms Request Unit

P.O. Box 1317

Richmond, VA 23218-1317

Pass-Through Entities

Pass-Through Entities Required to File

Effective for taxable years beginning on or after January 1, 2004, every pass-through-entity doing business in Virginia or having income from Virginia sources is required to file an income tax return with the Virginia Department of Taxation for each taxable year.

Pass-through entities include Subchapter S corporations, general partnerships (LLPs), limited liability companies (LLCs), electing large partnerships and business trusts. A pass-through-entity that is recognized as a separate entity for federal income tax purposes and the owners of which report their distributive or pro rata shares of the entity's income, gains, losses, deductions and credits on their own income tax returns. Unlike ordinary corporations ("C" corporations), a pass-through-entity's typically does not pay income tax itself; rather the entity's income and related items are reported by the owners on their own returns, and the tax is computed and paid at the owner level.

The Virginia pass-through entity income tax return is Form 502. Previously S corporations were required to file their Virginia income tax return on Form 500S. Beginning with taxable year 2004, S corporations will file Form 50 instead of 500S. Partnerships (including LLCs and other entities treated as partnerships for federal income tax purposes) will also file Form 502.

A single-member LLC that is disregarded, as a separate entity for federal income tax purposes will be similarly treated for Virginia's income tax. Its income, gains, losses and deductions will be included with those of its owner on the owner's income tax return; the disregarded entity is not required to file Form 502.

Period Covered by Return

A pass-through entity's taxable year for Virginia is the same as its taxable year for federal income tax purposes.

When and Where to File

The pass-through entity must be filed with the Department of Taxation no later than the 15th day of the fourth month after the close of the entity's taxable year. Original and any amended returns should be mailed to Virginia Department of Taxation, P.O. Box 1500, Richmond, VA 23218-1500.

Extension of Time to File

Pass-through entity may request an extension of time in which to file its return by filing Form 502-E on or before the regular due date for the return. An extension will be granted until six months after the regular due date, or until 30 days after the due date for filing the corresponding federal return, whichever is later.

A Virginia extension request that is not filed timely is not valid and is not acceptable, whether or not a federal extension has been granted. Because a pass-through entity does not pay Virginia tax directly, an extension request will not include any payment.

Penalties

A pass-through entity that is required to file a return but fails to do so by the specified due date is liable for a penalty of \$200 for each month or part of a month that the return is late, for up to six months. If the failure to file continues for more than six months, the Department of Taxation may assess the pass-through entity a penalty equal to six percent of the Virginia taxable income the

owners derive from the entity. The Department may estimate this taxable income using any method it deems reasonable and with any information in its possession. The six percent will be reduced by any monthly penalty already assessed, or the six percent penalty may be assessed instead of the monthly penalty. The six percent penalty will also be reduced to the extent any owner has paid Virginia tax on his or her share of the entity's income for the same tax year. The minimum penalty for failure to file on time is \$200.

Virginia Schedules and Attachments

In addition to the Form 502, the return must include a VA Schedule VK-1 - Owner's Share of Income and Virginia Modifications and Credits, for each owner.

Order of Attachments

- Form 502 – Pass - Through Entity Return
- Schedule 502A - Allocation and Apportionment
- Schedule 502 E - Extension Request Form
- Schedule VK-1 - Owner's Share of Income and Virginia Modifications and Credits
- A Copy of the Federal Return

Registration of Nonresident Property Owners

General Liability

Nonresident individuals, nonresident estates and trusts, partnerships and S corporations which have any nonresident partners or shareholders, and corporations which are not formed or organized under Virginia law that rent or sell real property in Virginia are required to register with the Virginia Department of Taxation.

“Brokers”, as defined in the Internal Revenue Code Section 6045(c), including realtors and property management firms, are required to obtain a registration form from each nonresident of Virginia who receives \$600 or more annually from the real property. “Real estate reporting persons” as defined in the Internal Revenue Code Section 6045(e) are required to obtain a registration form from each nonresident seller of real estate. Sales of real estate not subject to the Virginia income tax are exempt from registration.

Filing Procedure

Brokers and real estate reporting persons must submit completed registration forms to the Department by the 15th day of the month following the month in which the forms were received from the owner (in the case of rental property) or the date of closing (in the case of property sales). If a nonresident property owner fails to complete a registration form within 60 days after being requested to do so by the broker or at the time of closing, the broker or real estate reporting person must complete a registration on behalf of the property owner.

Penalties

A penalty of \$50 per month (up to six months) per form will be assessed for failure to comply with these requirements.

Download Forms Online:

- R-5 - Nonresident Real Property Owner Registration
- R-5E - Nonresident Real Property Owner Exemption Certificate
- R-5P - Nonresident Real Property Shareholder/Partner Schedule

For Assistance Contact:

Secure messaging at www.tax.virginia.gov
Virginia Department of Taxation
P.O. Box 1115
Richmond, VA 23218-1115
Individual Income Tax Inquiries: 804-367-8031
Corporation Income Tax Inquiries: 804-367-8037

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